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SUBJECT: AMBASSADOR'S MEETING WITH ANTI-CORRUPTION CHIEF
(C-RE7-02279)

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Classified By: Ambassador Charles W. Larson, Jr. Reasons: 1.4 (b and d
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11. (S/NF) In his introductory meeting with Ambassador Larson, anti-corruption chief Loskutovs reviewed the status of many of the significant anti-corruption cases in Latvia at the moment. Loskutovs was optimistic that charges would be filed against Andris Skele in the digital TV cases and that the court cases against Ventspils mayor Aivars Lembergs would begin relatively soon. He also reviewed the status of cooperation with other Latvian law enforcement agencies and previewed possible charges against other officials. It is clear that Loskutovs' suspension last year did little to dampen his enthusiasm and, if anything, he seemed more energized than before. End summary.

12. (U) Ambassador Larson called on anti-corruption bureau (KNAB) chief Aleksejs Loskutovs February 15 for an introductory call. Loskutovs was alone. Ambassador was accompanied by pol/econ chief (notetaker).

13. (C) Loskutovs began by saying that Latvia "lies on a border between the traditional democracies to the west and the yet to be democratic countries in the east" and the challenge is to develop more along the western model. Anti-corruption efforts were key to this goal, he said, and the KNAB had greatly benefited from training, equipment and financial assistance from the USG over the years. He was upbeat on the generally positive views of the KNAB by Latvians, although he said that was not reflected in the political elite where KNAB was often viewed as an enemy. Loskutovs assessed that public opinion in Latvia was less tolerant of corruption than in the past. He said that in 2007, there were no cases of alleged extortion by public officials in exchange for government services, something that had been quite common in earlier years. He also claimed that most corrupt activity takes place outside of Latvia, in order to make it harder for KNAB to detect.

14. (S/NF) Loskutovs proceeded to provide an assessment of KNAB cooperation with other agencies. The closest relations are with SAB (Constitutional Protection Bureau, main intelligence agency) where cooperation is "excellent." With the Security Police, Loskutovs felt that the overall relationship was good, but expressed some concern that its chief, Janis Reiniks, is not entirely free from political interference (no examples cited). With State Police, cooperation is overall strong and many of the small and low-level corruption cases are passed to them for investigation. Loskutovs was clear, though, that the law enforcement agencies operating under the internal revenue department (VID) were not to be trusted and that there were "serious questions about the integrity of senior officials" across the board in these agencies. KNAB cooperates as little as possible with the financial police, asserting that

they "have thwarted investigations" by KNAB. He was especially vitriolic about the criminal investigations service of the customs bureau and its chief, Vladimirs Vasekevics. Vasekevics is "corrupt" and "uses his officers like a private security force," making cooperation with him "impossible." Loskutovs added that Vasekevics is likely to be indicted on corruption charges in coming months, although getting all the evidence against him is proving to be a challenge.

15. (S/NF) Examining specific cases, Loskutovs offered the following assessments:

Digital TV - This is a very serious case with over 20 people indicted so far. Loskutovs added that he fully expected that Andris Skele, whom Loskutovs called Latvia's biggest oligarch, would be charged in the case later this year.

Lembergs - Loskutovs expressed great pride in KNAB efforts in this case, saying they had to work almost entirely alone because other institutions could not be trusted to cooperate in the investigation given the reach and influence of Lembergs and his supporters. Asked when the case might go to trial, Loskutovs said that the corruption in other agencies made it a very slow process and it was important to double check details. (ref c) Nevertheless, he thought the case would be in court "in a short time" and noted that more information had come in from other countries pursuant to MLAT requests. He cited the recent freeze on assets belonging to several of Lembergs' business associates as evidence that they were getting closer to going to trial.

Vasekevics - The investigation into the chief of the customs bureau's criminal investigation service is "active,"

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according to Loskutovs and an indictment could be forthcoming (no time frame given). This would be a tough case, though, both because Vasekevics is "one person in a much larger network" and because he had wisely used his criminal activity and its proceeds to garner political support and protection for himself. (Comment: This is in line with reporting from post GPRO on Vasekevics and reported ties to the People's Party. End comment.)

Riga City government - Loskutovs pointed to the recent arrest of a city property agency official as an important step in addressing widespread corruption in the municipal government (which controls an annual budget larger than that of the Latvian state), but said it was only the tip of the iceberg. While there are many potential cases here, Loskutovs asserted, the city government is "very difficult to penetrate."

Judges - Loskutovs was very pleased by the recent conviction of two judges for taking bribes (ref b) and said that he hoped others would be on notice that their positions as judges did not protect them from anti-corruption investigations.

16. (S/NF) Comment: This is the first Ambassadorial meeting post has had with Loskutovs since the resolution of the attempt by former PM Kalvitis to remove him from office. He was focused and direct, and committed to his job. His detailed accounting of coordination with other agencies and the status of specific cases was unusually detailed compared to previous meetings. We saw no sign that the events of last fall have caused him to back off. In fact, he seemed to pol/econ chief, who has watched him for nearly 20 months, to be more animated and more aggressive than before.

LARSON